

PENSION FAIRNESS AND FULL DISCLOSURE ACT

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Executive compensation packages often provide lavish golden parachutes that are hidden from employees, shareholders, and regulators. Employees are told the company has little choice but to cut their pay and benefits, while being kept in the dark about the fortunes companies are showering on executives who have presided over the company's failure. In fact, extensive executive packages are often increased at the very same time their employees' pensions are cut. When employees are asked to give back benefits they have earned, executives are often padding their own retirement packages. The executives who make the critical decisions to save or scrap employee pension plan rarely share the pain of their decisions – but are perversely rewarded for cutting company liabilities to their workers.

The “Pension Fairness and Full Disclosure Act” brings greater equity to the private pension system by requiring full disclosure of executive compensation packages to employees and linking the fate of benefits in executive compensation plans with those of the rank-and-file for whom these executives bear responsibility. It makes overdue changes in pension law to end disparities in the way the retirement security of employees and executives are treated.

The bill has three key provisions:

- Corporations that file for Chapter 11 bankruptcy and shift unfunded pension liabilities to the Pension Benefit Guaranty Corporation (PBGC), or convert their traditional pension plans to cash balance plans in a way that does not protect older workers, would not be permitted to increase executive deferred compensation for directors and officers for a 5-year period without incurring a 100% excise tax.
- Corporations with underfunded rank-and-file pension plans would be prohibited from providing any funding for executive pension plans unless and until their rank-and-file plans are at least 75% funded.
- Corporations would have to disclose the full value of their executive compensation plans when they move to terminate the plans in bankruptcy or make amendments to the plan to freeze benefits or reduce future accruals.

For far too long, some companies have irresponsibly rewarded their executives while unfairly cutting or eliminating their employees' pensions. “The Pension Fairness and Full Disclosure Act” would end these inequities.

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